

CANADIAN POWER AND PAPER INVESTMENTS, LIMITED

355 ST. JAMES STREET WEST

MONTREAL

CANADA

Montreal, 1st October, 1938.

To the Shareholders:

Your Directors submit the Annual Report of your Company for the year ended July 31st, 1938, including Balance Sheet and Statements of Profit and Loss and Surplus Accounts, which have been certified to by the Company's auditors, Messrs. P. S. Ross & Sons.

Debentures to the principal amount of \$214,300 were purchased by the Company during the year and cancelled.

In September, 1938, in accordance with Supplementary Trust Agreement made between the Company and the Montreal Trust Company, as Trustee, under date of October 24th, 1934, the Auditors deposited a Certificate with the Trustee to the effect that there was available for the accounting period ended July 31st, 1938, \$31,173.86 for interest on the 5% Thirty-Year Debentures, Series "A", of this Company; and, in accordance therewith, your Directors have given notice to the Debentureholders that there will be paid on October 1st, 1938, Coupon No. 12, dated February 1st, 1934, being six months interest on the outstanding Debentures. This payment will require \$24,642.50, plus exchange, if any.

Of the Investment Reserve amounting to \$75,000, set up during the past two years towards depreciation in investment securities, there has been used, during the past fiscal year, \$51,707.35 for the writing down of book value of certain securities, leaving a balance of \$23,292.65 in the Investment Reserve Account.

Respectfully submitted on behalf of the Board,

J. ALDERIC RAYMOND,
President.

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Diversification of Investments

Based on Current Values as at 31st July, 1938

	<i>Bonds</i>	<i>Preferred Stocks</i>	<i>Common Stocks</i>	<i>Total</i>
Public Utilities.....		13.44	56.11	69.55% (A)
Pulp and Paper.....	.67		17.55	18.22 (B)
Foodstuffs and Beverages.....	1.97	2.14	.45	4.56
Mining and Smelting.....			2.54	2.54
Oil.....			1.04	1.04
Textile, Iron, Steel, Coal, etc.....		.71	.70	1.41
Railroads and Real Estate.....	.62		2.06	2.68
	<u>3.26%</u>	<u>16.29%</u>	<u>80.45%</u>	<u>100.00%</u>

PURVIS HALL

LIBRARIES

(A) Consisting largely of Power Corporation of Canada, Limited.

(B) Consisting largely of Bathurst Power & Paper Company, Limited.

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McGILL UNIVERSITY

CANADIAN POWER & PAPER INVESTMENTS, LIMITED

Statement of Profit and Loss Account *for the year ended 31st July, 1938*

REVENUE	
Revenue from Investments.....	\$ 73,489.26
Bank and Other Interest.....	9.20
Profit on Exchange.....	130.92
	<u>\$ 73,629.38</u>
EXPENDITURE	
Audit Fees.....	\$ 300.00
General Expense.....	1,093.98
Insurance.....	293.22
Legal Expense.....	1,345.13
Salaries—Clerical and Secretarial.....	1,200.00
Taxes.....	1,213.37
Trustee's, Transfer Agent's, Registrar's and Paying Agent's Fees....	1,671.67
Directors' Fees.....	1,500.00
Miscellaneous Interest.....	90.83
Debenture Interest.....	49,285.00
Foreign Exchange on Debenture Interest paid during the year ended 31st July 1938.....	113.44
Provision for Province of Quebec Profit Tax.....	25.00
Provision for Depreciation on Investment Securities in accordance with Resolution of Directors.....	50,000.00
Deficit for the year ended 31st July 1938 transferred to Earned Surplus Account...	<u>\$ 34,502.26</u>

Statement of Earned Surplus Account *as at 31st July, 1938*

Balance at Debit 31st July, 1937.....	\$2,631.43
DEDUCT: Reduction in Liability for Debenture Interest accrued to 31st July 1937 resulting from—	
Purchase and Cancellation during the year ended 31st July 1938 of \$214,300.00 principal amount of 5% Debentures.....	\$ 42,860.00
Cancellation of coupons payable 1st August 1933 and paid 1st October 1937 upon Debentures held by Com- pany.....	1,332.50
	<u>\$ 44,192.50</u>
Excess Provision for Income Tax.....	1,487.54
Balance at Credit.....	<u>\$ 43,048.61</u>
DEDUCT: Loss from Operations for the year ended 31st July, 1938.....	<u>34,502.26</u>
Balance at Credit 31st July, 1938.....	<u>\$ 8,546.35</u>

Statement of Capital Surplus Account *as at 31st July, 1938*

Balance at Debit 31st July, 1937.....	\$ 27,765.12
DEDUCT: Discount on Debentures Purchased and Cancelled.....	\$ 38,081.15
Profit resulting from Sales of Investment Securities.....	646.65
Balance at Credit 31st July, 1938.....	<u>\$ 10,962.68</u>

Auditors

CANADIAN POWER AND PAPER INVESTMENTS, LIMITED,
Montreal.

We have audited the accounts of Canadian Power and Paper Investments, Limited, for the year ended 31st July, 1938. We certify that, in our opinion, the above Balance Sheet is drawn up so as to set forth a true and correct statement of the assets, liabilities and Loss and Surplus Accounts show the results from operations for the year ended the same date, 31st July, 1938.

MONTREAL, QUE., 19th September, 1938.

CANADIAN POWER & PAPER INVESTMENTS, LIMITED

Balance Sheet *as at 31st July, 1938*

ASSETS		
Cash in Banks.....		\$ 13,843.86
Investments at Cost:		
Bonds.....	\$ 153,686.10	
Preferred Stocks.....	773,440.37	
Common Stocks.....	3,781,947.39	
		<u>4,709,073.86</u>
(The aggregate value of these Investments at quoted market prices at 31st July, 1938, was \$1,724,457.37.)		
Accrued Interest on Investments.....		1,425.00
Prepaid Taxes, Insurance, etc.....		1,082.80
		<u>\$4,725,425.52</u>
LIABILITIES		
Account Payable and Accrued Liabilities.....	\$ 473.84	
Provision for Provincial Profit Tax.....	25.00	
		<u>\$ 498.84</u>
Interest Accrued on outstanding Debentures from 1st August, 1933 to 31st July, 1938, payable in Canadian or U.S.A. Dollars or Sterling.....		246,425.00
Investment Reserve.....		23,292.65
5% Thirty-Year Debentures, Series "A", due 1st February, 1958: Outstanding 31st July, 1937.....	1,200,000.00	
DEDUCT: Purchased and Cancelled during the year ended 31st July, 1938.....	214,300.00	
		<u>985,700.00</u>
Outstanding 31st July, 1938.....		985,700.00
Cumulative Preferred Shares:		
(Redeemable at \$52.50 per share):		
Authorized and Issued—50,000 Shares of No Par Value....		2,500,000.00
(of which 7,119 shares were in hands of transfer agent for distribution on share for share basis to holders of 5% Cumulative Convertible Preferred Shares upon surrender thereof).		
Common Stock:		
Authorized—96,000 Shares of No Par Value.		
Issued —94,000 Shares.....		950,000.00
(of which 11,303 2/50 shares were outstanding in excess of present requirements for distribution under terms of Supplementary Letters Patent dated 6th September, 1934).		
Capital Surplus—as per statement attached.....	10,962.68	
Earned Surplus—as per statement attached.....	8,546.35	19,509.03
		<u>\$4,725,425.52</u>

Approved on behalf of the Board:

J. ALDERIC RAYMOND	} Directors.
E. R. BREMNER	
COLIN W. G. GIBSON	

Report

ended 31st July, 1938, and have obtained all the information and explanations we have required. and correct view of the financial position of the Company at 31st July, 1938, and that the Profit according to the best of our information, the explanations given to us and as shown by the books of

(Signed) P. S. ROSS & SONS,
Chartered Accountants.

CANADIAN POWER AND PAPER
INVESTMENTS, LIMITED

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Annual Report

at 31st July, 1938

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Head Office:
355 ST. JAMES STREET WEST
MONTREAL
CANADA